Governor's Office of Agricultural Policy

Kentucky Agricultural Finance Corporation

January 15, 2009



Statement of Purpose

The Kentucky Agricultural Finance Corporation strives to

make sound long-term investments

and improve net farm income
by providing Kentucky's farmers
access to capital that allows them flexibility
in financial decisions and
leverages their assets to secure

affordable loans for the betterment of their farming operations.





Background

1984 – KAFC originally established

2002 - KADB's Long-term Plan for Agricultural Development

- Capital Access one of top 6 Priorities
- Recommendation to restructure KAFC to fulfill this priority
- 2003 1st Agricultural Development Fund Award to KAFC
- 2004 KAFC moved to Governor's Office of Agricultural Policy (S.B.-146)
- $2006 2^{nd}$ ADF Award for Beginning Farmer & Coordinated Value-Added Programs





Program Benefits



Benefits to Kentucky Farmers:

- Below market financing
- Utilize existing lender relationship
- Application process simple and streamlined
- Flexible payment terms
- Project may begin after application is received





KAFC Program Benefits



Benefits to Lenders:

- Compliment not compete
- Improve customer relations
- Improve cash flow of borrower
- Streamline application process
- KAFC subordinates to lender
- Flexible payment terms







- Beginning Farmer Loan Program (BFLP)
- Agricultural Infrastructure Loan Program (AILP)



- Coordinated Value-added Assistance Loan Program (CVALP)
- Agricultural Processing Loan Program (APLP)
- Large/Food Animal Veterinary Loan Program (LAVP)





KAFC Programs

Beginning Farmer Loan Program

Helping beginning farmers achieve their dreams.

Purpose: To assist individuals with farming experience who desire to

develop, expand or buy into a farming operation.

KAFC interest: 2% (Requires Bank Participation)

Requirements: Beginning Farmer definition

Net worth of \$500,000 or less

Off-farm earnings of less than \$100,000 for the household Five-year business plan and commitment of mentor

Eligible Loans: Livestock, equipment, agricultural facilities, permanent

working capital, real estate down payment, investment in a partnership, and other at the discretion of the KAFC Board.





Beginning Farmer Loan Program

Helping beginning farmers achieve their dreams.



Joseph Sisk Christian County Farmland w/grain storage*

Funds committed: \$4,590,868 **Loans approved:** 46



Shawn Mattingly Washington County 50% interest in beef & tobacco operation*



Matt & Amanda Gajdzik Shelby County Beef cattle, tobacco, soybeans



*Photo not of actual farm purchased.



KAFC Programs

Agricultural Infrastructure Loan Program

Building the future of Kentucky agriculture.

Purpose: To assist Kentucky's agricultural producers finance long-

term projects that will improve their financial viability.

KAFC interest: 2% with tobacco documentation; 4% without

(Requires Bank Participation)

Requirements: 20% of Gross Income must come from farming

Eligible Loans: Limited to structural improvements that enhance the farm's

profitability, including livestock facilities, grain bins, tobacco

barns, fencing, and other long-term structures at the

discretion of the KAFC Board of Directors.







Agricultural Infrastructure Loan Program

Enterprise	Loans	Avg. KAFC Loan Amount	Total KAFC Loans	Total Project Costs	Ratio
Beef	11	\$53,590	\$589,492	\$1,426,651	2.42
Dairy	22	\$85,191	\$1,874,195	\$4,749,588	2.53
Equine	8	\$49,049	\$392,390	\$874,125	2.23
Forage	6	\$20,047	\$120,283	\$240,566	2.00
Grain	39	\$63,394	\$2,472,362	\$6,447,768	2.61
Other	7	\$71,198	\$498,388	\$1,378,058	2.77
Poultry	19	\$123,772	\$2,351,671	\$11,176,784	4.75
Swine	10	\$120,824	\$1,208,244	\$4,650,714	3.85
Tobacco	82	\$38,531	\$3,159,566	\$6,454,606	2.04
Vegetable	2	\$22,724	\$45,447	\$240,350	5.29
Totals:	206	\$62,484	\$12,871,727	\$37,955,588	2.95



*Ratio=Total Project Costs / Loan total As of December 31, 2008



Coordinated Value-Added Assistance Loan Program

Purpose: To provide loan opportunities to companies and individuals

in Kentucky who create contract production opportunities

for other agricultural producers.

Eligible Loans: KAFC will provide and/or participate in loans to entities

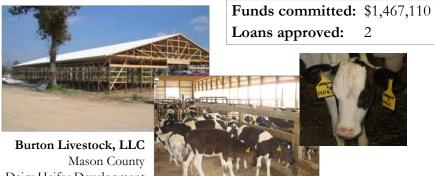
with operations in Kentucky that are expanding their contracting opportunities with Kentucky farmers.





KAFC Programs

Coordinated Value-Added Assistance Loan Program



Dairy Heifer Development

\$967,110 KAFC Loan KADF Forgivable Loan: \$419,818 KADF County Funds: \$5,000





Agricultural Processing Loan Program

Purpose: To provide loan opportunities to companies and individuals in Kentucky interested in agricultural processing.



Dickerson Lumber Co. Barren County Lumber Processing Facility*

Funds committed:\$12,203,100 Loans approved:

Kentucky BioProcessing Daviess County R&D of plant-made pharmaceuticals





*Photo representative, not of actual facility.



What's Next?

Large Animal Veterinarian Assistance Program



Purpose: To assist individuals licensed to practice veterinary medicine in Kentucky who desire to construct, expand, equip or buy into a

practice serving large animal producers.

KAFC interest: 2% (fixed)

Requirements:

Valid Kentucky veterinary medicine

license

Net worth of \$500,000 or less

Five-year business plan and commitment of a lender







What's Next?

Large Animal Veterinarian Assistance Program (cont.)



Eligible Loans: acquisition, renovation and development of capital assets needed to facilitate a large animal veterinary practice, equipment essential for the delivery of services for a large animal practice, and

other at the discretion of the KAFC Board.









Closing

Questions

Comments

Recommendations





